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A Helpful Provision in the 21st Century Cures Act

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By [Ericka Adler](#)


As many physician practices may recall, it used to be fairly common to reimburse employees for premium expenses for individual health insurance plans or to pay for those premiums directly. This changed with the Patient Protection and Affordable Care Act ("ACA"), which prohibited employers from reimbursing employees in such manner.

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An important new law, "21st Century Cures Act," signed into law on Dec. 13, 2016, makes it so small employers will now be able to again reimburse employees for premium expenses incurred for an individual health insurance policy or directly pay such premiums without violating the ACA. This law took effect Jan. 1, 2017.

What this means for small physician practices (those with fewer than 50 full-time and full-time equivalent employees), who do not offer group health insurance to employees, is that they may reimburse eligible employees on a pre-tax basis for premiums paid for individual health coverage, as well as eligible unreimbursed medical expenses. This also includes coverage that is purchased through the marketplace.

Under the new law, these arrangements are called "Qualified Small Employer Health Reimbursement Arrangements" ("QSEHRA"). It is important to note that premiums paid to purchase group health coverage (such as through a spouse's employer's plan) are not eligible.

Physicians should seek advice from financial advisors before taking advantage of this new law, as some additional rules must also be satisfied. For example, only the employers may contribute to the QSEHRA and the employer must provide the QSEHRA on the same terms to all employees (but can exclude those with fewer than 90 days of service, those under age 25 and certain part-time and seasonal employees). Additionally, the maximum amount of reimbursement for any year cannot exceed \$4,950 for employee coverage. There are some other rules related to family members which also need to be investigated.

Small physician practices may want to take advantage of this new law if they are not offering health insurance. To do so, a practice will need to provide a notice to employees who are eligible at least ninety (90) days before the start of a year (or within ninety (90) days after the law's enactment for this year) and to those who become eligible during the year. There are some specific notice requirements which need to be followed in order to fully qualify for this benefit.

Small practices will also be interested to know that the IRS is providing transition relief retroactive for all plan years beginning on or before Dec. 31, 2016 so that small employers that did reimburse their employee premiums for individual policies will not be subject to penalties under the ACA.

For more information, talk to your financial or benefits advisors. Make sure you explore this option as a means of helping out your staff financially, especially at a time when the cost of healthcare benefits have become cost prohibitive for so many.

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